

# Financial Planning/ Salary Sacrifice

## FAQs

WHAT IS THE BENEFIT  
OF A FINANCIAL PLANNING  
DISCUSSION

### What is the benefit of a financial planning discussion?

As an employee of Champion contractors you have a number of opportunities to benefit in ways which potentially will put you in a stronger financial position.

Our advice team will spend time in getting to understand what you are looking for and initially to show you where our advice can add value. The initial fact finding meeting cost nothing and where we see areas that we can advise and help on, we will point out the exact costs before you commit to any actions. On most occasions our fees are paid by the products that we recommend and there is seldom any need for you to pay fees directly yourself

### Income Protection

Sickness is something that understandably many contractors neglect to plan for; all the benefits you would have received as an employee of a big business are available to you as a contractor, be that sick pay, or even private medical cover. As independent advisers Champion financial planning can guide you to the right solutions and the best providers on the market.

### Salary Sacrifice v claiming tax back via Self assessment

	Contribution to pension pot	Cost to contractor
Salary Sacrifice	<b>£100</b>	<b>£50 approx.</b>
Personal Pension	<b>£100</b>	<b>£80 (Inc initial tax relief of £20) Can drop to circa £60 after submission of annual tax return</b>

### Do you have stranded pension pots from previous employers?

Pension regulations have changed in recent years, older style schemes place significant restrictions on how flexibly you receive your income. Having numerous different pots can also restrict the options you have when you come to retire. If these stranded pots are not being reviewed they may also not be in-line with your own views and expectations.

INCOME PROTECTION

SALARY SACRIFICE  
v  
PERSONAL PENSION

STRANDED  
PENSION POTS

# Financial Planning/ Salary Sacrifice

## FAQs

### WHAT IS A SALARY SACRIFICE ARRANGEMENT?

#### What is Salary Sacrifice?

A Salary Sacrifice scheme is an agreement whereby you can give up a part of your future gross salary or bonus in exchange for a non-cash benefit – in this case a pension contribution. You choose how much you want to exchange and your gross salary is reduced by this amount. This is then paid into your occupational or personal pension scheme as a contribution. Making pension contributions in this way reduces the amount of National Insurance Contributions (NICs) paid. These savings are then passed on to you to help boost your pension contributions.

### WHAT IS THE BENEFIT?

#### What is the benefit?

The benefit of salary sacrifice is that you pay a lower amount of National Insurance (NI) and PAYE tax. As your gross pay is reduced by the amount of your pension contribution it also means that our employer's NI is reduced, a saving we pass onto you in the form of additional gross pay.

### WHO SETS UP THE SALARY SACRIFICE SCHEME?

#### Who sets up the Salary Sacrifice Scheme?

Champion Contractors, a part of the Champion Group, has partnered with Cheetham Jackson Ltd who are authorised and regulated to provide pension advice.

### WHAT IS THE CRITERIA FOR THE SCHEME?

#### What is the criteria for the scheme?

The chosen Pension Scheme must meet the following HM Revenue & Customs ("HMRC") guidelines:

- ✓ The provider must be registered for tax relief with HMRC;
- ✓ The pension scheme must have the facility to accept gross employers contributions in addition to ad-hoc payments; and,
- ✓ The salary sacrifice agreement must apply to future earnings and be in place before the money is sacrificed.

### HOW MUCH CAN YOU CONTRIBUTE?

#### How much can you contribute?

The calculation of how much you can contribute will be based on an hourly/daily basis depending on how you are paid. We can facilitate this for you. You are advised to consider whether participating in a Salary Sacrifice Scheme will impact on any existing insurance scheme you have in place.

### CAN YOU CHANGE THE AMOUNT OF SALARY YOU SACRIFICE?

### WHAT HAPPENS TO THE EMPLOYER'S NI SAVING?

### IS THERE A LIMIT ON THE AMOUNT OF PAY YOU CAN SACRIFICE?

### WHAT ABOUT AUTO- ENROLMENT?

### WILL YOU NEED TO DO A SELF-ASSESSMENT TAX RETURN?

CAN YOU TRANSFER  
AN EXISTING PENSION  
SCHEME?

WHAT ABOUT THE  
ANNUAL ALLOWANCE?

WHAT HAPPENS IF YOU  
EXCEED THE ANNUAL  
ALLOWANCE?

CAN YOU LEAVE A  
SALARY SACRIFICE  
SCHEME?

WHICH PENSION  
SCHEME PROVIDER DO  
WE WORK WITH?

WHAT ELSE SHOULD  
YOU CONSIDER BEFORE  
ENTERING INTO A  
SALARY SACRIFICE  
ARRANGEMENT?

HOW CAN YOU FIND  
OUT MORE?

## Can you change the amount of salary you sacrifice?

As a general rule, the terms of the arrangement cannot usually be changed unless proof of a change of lifestyle significantly changes your financial situation. HMRC classifies a change of lifestyle as an event that may include **marriage, divorce** or a **partner becoming redundant** or **pregnant**. Salary Sacrifice arrangements can allow opting in or out in the event of lifestyle changes like these. The reason for this is generally because the tax and NICs saving under a Salary Sacrifice arrangement will no longer apply when switching between salary (cash) and pension.

## What happens to the employer's NI saving?

As your gross pay is reduced by the amount of your pension contribution it means that our employer's NI is also reduced, a saving we pass onto you in the form of additional gross pay. As this is additional income it is subject to tax and NI in the normal way.

## Is there a limit on the amount of pay you can sacrifice?

National Minimum Wage and holidays must still be paid to you which means that you are essentially sacrificing only your additional taxable pay. Moreover, on the basis that your working hours/days may fluctuate, the calculation is generally based on one working day.

## What about Auto-Enrolment?

You will still be enrolled into a workplace pension scheme should you be eligible. The reason for this is that the salary sacrifice pension scheme you select may not be a qualifying workplace pension scheme. You also have the option to opt out should you wish to do so.

## Will you need to do a Self-Assessment Tax Return?

Not necessarily; however, you are encouraged to seek independent advice around this.

## Can you transfer an existing pension scheme?

There are opportunities with many pensions providers to take your pension pot with you.

## What about the Annual Allowance?

The current annual allowance which increased in April 2023 is £60,000 based on adjusted income of £240,000 or below, but this tapers down to £10,000 where adjusted income is between £240,000 and £300,000, and then reduces to £4,000 above £300,000. Adjusted income is your total taxable income – so includes all salary, bonus and commissions, dividends, rental income, savings interest plus the add back of any employer pension contributions. **Note:** *You may also be able to make use of 'carry forward' for any unused Annual Allowance. It is important that you are fully aware of the situations which may trigger the Money Purchase Annual Allowance. You should seek s*  
*where you are unsure.*

"Salary sacrifice is commonly used to take advantage of the exemption from tax or NIC or both of certain benefits. It is important to recognise that employers and employees have the right to arrange the terms and conditions of their employment and to enjoy the statutory tax and NI treatment that applies to each element in the remuneration package."  
HMRC | Employment  
Income Manual



### What about the lifetime allowance?

In the UK, the Lifetime Allowance (LTA) was a limit on the amount of tax-advantaged pension savings an individual could accumulate over their lifetime without incurring an additional tax charge. As of the 2022-2023 tax year, the LTA was £1,073,100. The great news is this was removed entirely following the April 2023 Budget, making pensions potentially even more attractive.

### Can you leave a Salary Sacrifice Scheme?

You are able to opt-out of the Salary Sacrifice Scheme should you wish to do so. Your salary will return to the pre-sacrificed amount. Please contact us should you wish to opt-out.

In the event that you wish to recommence your contributions, you will not be able to start this until the beginning of the next tax year, which commences on the **6<sup>th</sup> April**.

### Which pension scheme provider do we work with?

Champion Financial Planning has partnered with a market-leading salary sacrifice scheme provider to facilitate your pension requirements which enable you to invest in our bespoke model portfolios as well as Ethical and Shariah-based funds. Our proposition ensures you do not have to pay tax on your contributions as our chosen pension provider is registered for tax relief with HMRC. This means that the scheme will accept gross employer contributions as well as ad-hoc payments rather than mandated payments by direct debit.

### What else should you consider before entering into a Salary Sacrifice arrangement?

Before deciding to go ahead with the salary sacrifice arrangement you should consider whether this will impact any other areas of your finances; for example, any other mortgage or loan applications and any other benefits or schemes that you are part of. You may also want to consider the impact on any insurance schemes you have in place – such as income protection, life assurance, mortgage protection etc.

### How can you find out more?

For further information or if you wish to contact us to discuss how we can help you, please do not hesitate to get in touch using our details below: -

**Write** Champion Financial Planning  
1 Worsley Court  
High Street  
Worsley  
Manchester  
M28 3NJ  
**Tel** 0161 703 2549  
**Book Meeting** Champion Financial Planning Meeting